

**ASSEMBLY BILL**

**No. 870**

**Introduced by Assembly Member Strickland**

February 20, 2003

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An act to amend Sections 19412 and 19601 of, and to add Section 19610.8 to, the Business and Professions Code, relating to horse racing, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 870, as introduced, Strickland. Horse racing: proposition wagers.

(1) For the purpose of the Horse Racing Law, existing law defines “conventional parimutuel pool” and “exotic parimutuel pool” and allows conventional and exotic wagers, as defined, to be placed on all forms of horse racing. Existing law also defines “proposition parimutuel pool” as the total wagers under the parimutuel system on propositions approved by the California Horse Racing Board that are based on the results of a live quarter horse race.

This bill would instead define “proposition parimutuel pool” as the total wagers under the parimutuel system on propositions approved by the California Horse Racing Board that are based on the results of any live horse race, and thus would allow proposition wagers to be made on all live horse races.

(2) Existing law provides that the total wagers made in a proposition parimutuel pool are subject to the same license fee as exotic wagers made on live quarter horse races, and that commissions and purses shall be distributed in the amounts mutually agreed upon by the association and the organization representing horsemen and horsewomen.

This bill would provide that the total percentage deducted from a proposition parimutuel pool shall be 10% of the total amount handled for those wagers, or, at the request of the association accepting the wager and with the approval of the board, any other percentage deducted in accordance with a provision of the Horse Racing Law. The bill would provide that the state license fee applicable to out-of-state proposition wagers shall be equal to that applicable to exported races generally, and that the state license fee applicable to in-state proposition wagers shall be the lesser of 0.5% of the total amount handled or the license fee applicable to races conducted by the association at its own meeting. The bill would provide that an additional 2% of the total amount handled on proposition wagers made at a satellite wagering facility shall be paid to that facility as a commission for the right to do business. The bill would provide that after the distribution of funds for breeder awards, as specified, and the payment of the license fee and facility commission, the remaining takeout shall be distributed equally as commissions and purses.

(3) Existing law provides that a licensed association or fair that is conducting a live racing meeting in any zone may accept wagers on any race conducted in this state, provided that specified conditions are met, including a condition that wagering is offered only within the association or fair's racing inclosure or within the satellite wagering facility, and only within 7 days of the commencement of the racing program with the transmitted race.

This bill would delete this 7-day limit on wagering. This bill would also make technical, nonsubstantive changes to these provisions.

(4) Under existing law, all revenues distributed to the state as license fees from horse racing are required to be deposited in the Fair and Exposition Fund and are continuously appropriated to the Department of Food and Agriculture for various regulatory and general governmental purposes.

By expanding the definition of "proposition parimutuel wagering" to apply to additional forms of horse racing, and by removing an existing restriction on out-of-zone wagers, this bill would authorize additional wagering, and would increase the amount of continuously appropriated license fees, thereby making an appropriation.

Vote: <sup>2</sup>/<sub>3</sub>. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.



*The people of the State of California do enact as follows:*

SECTION 1. Section 19412 of the Business and Professions Code is amended to read:

19412. (a) “Conventional parimutuel pool” means the total wagers under the parimutuel system on any horse or horses in a particular race to win, place, or show.

(b) “Exotic parimutuel pool” means the total wagers under the parimutuel system on the finishing position of two or more horses in a particular race, such as ~~quinella~~ *quiniela* or exacta wagers, or on horses to win two or more races, such as daily double wagers, pick six wagers, or on other wagers approved by the board.

(c) “Proposition parimutuel pool” means the total wagers under the parimutuel system on propositions approved by the board that are based on the results of a live ~~quarter horse~~ ~~horse~~ ~~race~~. ~~The total wagers made in the proposition parimutuel pool are subject to the same licensee fee as exotic wagers on a live quarter horse race, and commissions and purses shall be distributed in the amounts mutually agreed upon by the association conducting the meeting and the organization representing the horsemen and horsewomen~~ *horse race*.

SEC. 2. Section 19601 of the Business and Professions Code is amended to read:

19601. (a) Notwithstanding any other provision of law, a licensed association or fair that is conducting a live meeting in any racing zone may accept wagers on any race conducted in this state, if all of the following requirements are met:

(1) The association or fair that conducts the racing meeting and the organization that is responsible for negotiating purse agreements on behalf of the horsemen participating in that racing meeting consent to the acceptance of the wagers. However, if consent is withheld, any party may appeal the withholding of consent to the board, which may determine that consent is not required.

(2) The association or fair conducts not less than eight races on days when the association or fair is licensed to conduct racing, except that fewer than eight live races per day may be conducted by the mutual agreement of the association or fair and the organization that is responsible for negotiating purse agreements on behalf of the horsemen participating in the racing meeting.

(3) Wagering is offered only within the association's or fair's racing inclosure or within the satellite wagering facility ~~and only within seven days of the commencement of the racing program with the transmitted race.~~

(4) All wagers are included in the appropriate parimutuel pool at the racetrack of the association or fair where the race is conducted, or, in the appropriate parimutuel pool of the racetrack of the association or fair that accepts the transmitted race.

(5) The association or fair accepting wagers on an out-of-zone transmitted race distributes the audiovisual signal of the race to, and accepts wagers from, all eligible satellite wagering facilities.

(b) Any association or fair accepting wagers under subdivision (a) shall deduct, from the total amount handled in each conventional and exotic parimutuel pool on the transmitted race, the same percentages deducted pursuant to Article 9.5 (commencing with Section 19610) for races at its own meeting. However, if the wagers are from a quarter horse race meeting, then the amounts deducted shall be the same as for a quarter horse race meeting. Amounts deducted under this section, including amounts deducted from wagers on out-of-zone races within the inclosure of the association or fair, shall be distributed as provided under Sections 19605.7, 19605.72, and 19605.73 with respect to wagers made within the northern zone, or Sections 19605.71, 19605.72, and 19605.73 with respect to wagers made within the central or southern zone, except that amounts distributed for purposes other than state license fees and fees payable to the Center for Equine Health, School of Veterinary Medicine, University of California at Davis, and the California Animal Health and Food Safety Laboratory shall be proportionally reduced by the amount of any fees paid to the Triple Crown or Breeder's Cup day host association pursuant to subdivision (c). The method used to calculate the reduction in proportionate share shall be approved by the board. For wagers on out-of-state and out-of-country races made within the association's or fair's inclosure, 1 percent shall be distributed to the association or fair as a satellite wagering facility commission.

(c) Nothing in this section precludes an association or fair from charging a fee as a condition of transmitting the Triple Crown or Breeder's Cup day races, except that any fee shall be allocated among all associations, fairs, and satellite wagering facilities

1 receiving the transmitted race in proportion to the amount wagered  
2 at each location, and the fee shall equal that charged by the entity  
3 conducting the race or races. Further, the only fee that can be  
4 charged as a condition of transmitting the signal of an out-of-zone  
5 race shall be a fee of 2.5 percent on Breeder's Cup day races.

6 (d) All breakage and unclaimed tickets, including unclaimed  
7 refunds, shall be distributed equally between the association or fair  
8 that accepts wagers on the transmitted race, and the horsemen, in  
9 the form of purses. The purse moneys generated by this  
10 subdivision shall be made available for purses during the meeting  
11 in which they are received by the association or fair, or, if the  
12 association or fair is not then conducting a live racing meeting,  
13 during the next succeeding meeting of the association or fair.

14 (e) All wagers made pursuant to this section shall be considered  
15 to have been wagered at a satellite wagering facility and shall be  
16 excluded from total handle for the purposes of Section 19611.

17 (f) Notwithstanding Section 19530.5, satellite wagering  
18 facilities operated by a fair, in the Counties of Fresno, Kern, or  
19 Tulare shall be considered northern zone facilities and shall  
20 receive their audiovisual signal from the association or fair  
21 conducting a racing meeting in the northern zone that is authorized  
22 to distribute the signal and accept wagers on central and southern  
23 zone races. Satellite wagering facilities operated by a fair, in the  
24 Counties of Santa Barbara or Ventura shall be considered  
25 central-southern zone facilities and shall receive the audiovisual  
26 signal from the association or fair conducting a racing meeting in  
27 the central or southern zone that is authorized to distribute the  
28 signal and accept wagers on northern zone races.

29 (g) All purse moneys derived from wagering on out-of-zone  
30 races at fair racing meetings shall be distributed to all breeds of  
31 horses participating in the fair meeting in direct proportion to the  
32 purse money generated by breed on live races conducted during  
33 the fair race meeting.

34 (h) During calendar periods when both a fair and a  
35 thoroughbred association conduct live racing, the amounts  
36 deducted under this section shall be distributed on any day of  
37 overlap as provided in Section 19607.5, except that the applicable  
38 state license fee shall be at the rate specified for nonfair meetings  
39 in subdivision (b) of Section 19605.7.

1 (i) During calendar periods when a thoroughbred association  
2 and a fair, or a thoroughbred association and any other breed  
3 association are conducting a racing meeting in the same zone, the  
4 thoroughbred association shall be the association authorized to  
5 distribute out-of-zone, out-of-state, or out-of-country  
6 thoroughbred or fair races, except that the thoroughbred  
7 association may waive this right and allow the other breed racing  
8 association conducting a race meeting to distribute the signal and  
9 accept wagers on out-of-zone, out-of-state, or out-of-country  
10 thoroughbred or fair races for any racing day or days. For the  
11 purposes of this subdivision, the combined central and southern  
12 zone shall be considered one zone.

13 (j) In order to ensure, to the extent possible, that out-of-state  
14 and out-of-country simulcasting, furthers the purposes of this  
15 section, a committee made up of one representative from each of  
16 the then-operating thoroughbred associations or fairs that are  
17 conducting a live racing meeting in the state and one representative  
18 of the organization responsible for negotiating purse agreements  
19 on behalf of the horsemen participating in the meeting shall do the  
20 following:

21 (1) Determine the out-of-state or out-of-country thoroughbred  
22 races to be imported on a statewide basis pursuant to provisions of  
23 this chapter.

24 (2) Ensure, to the extent possible, that the fees charged by  
25 out-of-state or out-of-country entities for these signals are at the  
26 lowest obtainable rate and at the same rate statewide, in order to  
27 maximize the revenue available to in-state associations and fairs  
28 and their horsemen.

29 (3) Ensure, to the extent possible, due to the reciprocal nature  
30 of the interstate simulcasting business, that the maximum  
31 obtainable revenue is generated by the sale to out-of-state entities  
32 of the audiovisual signal of races conducted in this state by  
33 thoroughbred associations and fairs.

34 (4) Ensure that program information requirements for in-state  
35 signals comply with the standards of the board, but provide that  
36 abbreviated program formats may be used for races imported from  
37 *another zone or other jurisdictions*.

38 (k) Notwithstanding any other provision of law, any  
39 thoroughbred association or fair, when operating a live racing  
40 meeting, shall distribute the signal of all races conducted by, or



1 disseminated by, that association or fair to, and accept wagers on  
2 these races from, any association that is licensed to conduct a live  
3 quarter horse or harness racing meeting in Orange County and that  
4 conducted such a meeting in 1998.

5 (I) Notwithstanding any other provision of law, all associations  
6 or fairs when operating as eligible satellite wagering facilities shall  
7 be in compliance with, and subject to the provisions of, Article 9.2  
8 (commencing with Section 19605) of this chapter, and shall  
9 display the signal and accept wagers on all live races conducted in  
10 this state without regard to breed. Notwithstanding the foregoing  
11 provision, a thoroughbred racing association located in the ~~city~~  
12 City of Arcadia is exempt from these requirements for live harness  
13 and quarter horse races conducted at night unless the thoroughbred  
14 racing association facility is open for business at that time and is  
15 accepting wagers on other night signals pursuant to this chapter.  
16 Further, satellite wagering facilities located at fairs may, but are  
17 not required to, accept an audiovisual signal on out-of-state or  
18 out-of-country races unless the facility is open for business at the  
19 time and accepting wagers on other signals pursuant to this  
20 chapter.

21 SEC. 3. Section 19610.8 is added to the Business and  
22 Professions Code, to read:

23 19610.8. Notwithstanding any other provision of this chapter,  
24 and in lieu of any other deduction or distribution provided for in  
25 this chapter, the total percentage deducted from a proposition  
26 parimutuel pool shall be 10 percent of the total amount handled in  
27 the parimutuel pool for those wagers, or, at the request of the  
28 association accepting the wager and with the approval of the board,  
29 any other percentage deducted in accordance with a provision of  
30 this chapter. With regard to proposition wagers made outside of  
31 this state, the applicable state license fee shall be the fee specified  
32 in Section 19602. With regard to proposition wagers made within  
33 this state, the applicable state license fee shall be the lesser of 0.5  
34 percent of the total amount handled or the license fee applicable  
35 to races conducted by the association at its own meeting. In  
36 addition, if the wager was placed at a satellite wagering facility, the  
37 amount specified in the applicable provisions of Sections 19605.7,  
38 19605.71, and 19605.72 shall be paid to that facility as a  
39 commission for the right to do business. After the distribution of  
40 funds for breeder awards as required by Sections 19602 and

1 19617.2 and the payment of the license fee and facility  
2 commission, the amount remaining shall be distributed 50 percent  
3 as commissions to the association that conducts the racing meeting  
4 and 50 percent as purses to the horsemen participating in the racing  
5 meeting.

